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23 AUG 1974

MEMORANDUM FOR: Deputy Director for Administration

SUBJECT: Financial Guidance for 1975 and 1976

1. This memorandum constitutes my guidance to you on the 1975 and 1976 programs of your Directorate. You are reminded that we do not yet have our appropriation for FY 1975. You should proceed with the implementation of your program with that caution in mind. In addition, because of the severe resource constraints we anticipate for 1976, even assuming no further reductions by OMB or the Congress, I am asking that you undertake certain detailed reviews to explore opportunities for possible further savings. The guidance and issues are based upon the data you submitted to the Comptroller in response to the Program Call, the Program Review book prepared by the Comptroller, and the discussion with you in the Management Committee on 2 August 1974.

2. The program level for your Directorate is:

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FY 1975

FY 1976

Staff Positions

Contract Positions

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For 1975 you will receive one allotment for all the programs of your Directorate reflecting the above totals. Since the Comptroller will no longer retain detailed allotment records at the component level, I will hold you responsible for creating similar controls at the component level to ensure that Directorate totals are not exceeded. Thus, I will expect you to keep your records and controls over your resources by major component as in the past, and to continue to provide project (FAN) and subobject class data to the Automated Budget Control (ABC) System for monthly verification of the way the resources are being used. Your first input to the ABC system should reflect initial program approvals; no reprogramming will be allowed until this data base is established.

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3. Within the 1975 amount allotted above, [] is provided for personal services costs of permanent staff and contract employment (sub-object classes 1101 and 1145). For temporary and part-time employment, 180 A.E. is suggested and you should compute your own dollar amounts for subobject class 1148. You are free to allocate these monies to components as required and to reprogram between components as needed, subsequent to the initial input to the budget control system, but not to convert them to nonpersonal services object classes without the Comptroller's prior agreement. This step is being taken to help ensure our ability to meet a possible congressional reduction in our pending 1975 request as well as other problems or opportunities which may develop.

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4. During the course of the Program Review, I approved certain key programs for 1975 representing major investments or activities in which I have a personal interest. Because of the importance of these projects, I expect them to be carried forward at the levels I have approved. For your Directorate, the specific activities are as follows:

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b. Secure Voice (Staff) to continue on a maintenance basis only during FY 1975 at a funding level of []

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c. Communications Area Facilities, funded for FY 1975 at []. A detailed list of specific projects scheduled to be funded within this total should be submitted to the Office of the Comptroller by 6 September 1974.

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d. Office of Logistics Engineering Support, funded for FY 1975 at \$ [] for Utilities Monitoring, a P.L. 92-313 reimbursement to GSA). A list of the specific projects planned for the current year to be funded within this total should be submitted to the Office of the Comptroller by 6 September 1974.

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e. Merged Computer Operations, funded at \$ [] for FY 1975 (with funds transferred from Operations Directorate).

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f. Computer Assisted Field Terminals (CAFT). Continued development of this program at a funded level of [] in FY 1975.

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g. Office of Communications [] funded within your current FY 1975 allocation at [] thousand. Any additional costs will be requested from the Reserve to meet the total FY 1975 factored [] requirements.

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h. COMIREX contractual studies, for which [] was transferred from the Intelligence Directorate budget to OJCS, which will have supervision over the contract. In transferring these funds (and in putting an additional [] in the OJCS program for 1976) I was seeking the economies of centralized management of ADP. However, I request that you ask OJCS to set up, with OJCS as chairman, a steering group composed of COMIREX, OD&E and the IC Staff to assist OJCS in achieving the general community objectives of the COMIREX program.

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If for any reason you deem it necessary to change these levels by more than 10%, I will expect you to prepare a recommendation for the Comptroller who will usually seek my review. While I recognize that approved programs cannot always be carried out as originally planned, it is important that I be informed when changes occur and have the opportunity to review and consider the factors causing the changes to determine whether the funds approved earlier, or affected by the change, might be used better elsewhere. To facilitate continuing management review, the activities identified above must be specifically reflected by subobject class or in FAN (or combinations of FAN) accounts and you should work with the Office of the Comptroller to ensure that this request is met.

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5. You will be expected to raise, for separate decision, any reprogramming which was not explicitly reviewed during the Program Conference and which would commit you or the Agency to an obligation of more than [] during the following five years.

6. There is one additional requirement upon which I must insist. The Program Execution Procedure set forth a requirement for notifying me, under certain conditions, before action is taken on activities approved during the Program Review. These involve:

a. Politically sensitive projects, carrying a significant risk of causing embarrassment to the U.S. Government in general or to the Agency in particular. Approval by the National Security Council of politically sensitive activities will fulfill this requirement.

b. Major contractual agreements undertaken on behalf of and funded by other agencies.

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c. Real property transactions which have the potential for raising security, political or operational difficulties.

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d. Other individual transactions involving more than

Although it will rarely be necessary to change a plan at the last minute, it is imperative that I be informed through the Comptroller before you take action on any of the kinds of projects described above so that they can be evaluated in relation to the then current status of the environment and the Agency's overall resource situation.

7. All matters covered above should normally be sent in one copy only to the attention of the Comptroller who will forward them to me when he believes they require my specific approval. In cases where he believes it unnecessary to inform me personally, he will so notify you. Periodically he will inform me of those items where he has determined my direct involvement was not required.

8. In paragraph one I noted the need to continue seeking opportunities to effect further savings in funds and positions. You will have your own ideas about how you might approach this problem but there are a number of areas where I believe attention will prove rewarding. You are requested to consider and submit recommendations by the dates indicated:

a. Examining comprehensively the personnel and career management practices throughout the Agency and the resources devoted to them. Your examination should take into account the differing career management needs of the Directorates and should identify areas where differences serve no useful purpose. The objective should be to provide the most effective career management system for the Agency with reduced resources in FY 1976.
28 February 1975

b. Developing and instituting a multi-faceted program to reduce the cost of day-to-day Agency operations in areas most seriously affected by inflation. Managers and individual employees must be made aware of ways in which they can effect savings through frugal use of materiel resources. 31 October 1974

c. Accelerating the development of methods to identify the costs of services furnished to Agency components; and expanding that effort to include a systematic study of all areas of activity where modification of the way we budget for goods and services

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might focus managerial responsibility more sharply on the allocation of resources. Such a study should bear in mind the cost/benefit tradeoffs, and should stop short of developing systems which would cost more to administer than their implementation might save. 31 December 1974

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d. Studying, in coordination with the IC Staff, ways in which the [] might be used by other parts of the Intelligence Community in the long term. Proposals should include alternative ways in which the cost of operation [] might be shared beginning in FY 1978. Action to implement such a program probably should be deferred until we have some experience with the current arrangement, but proposals should be ready for inclusion in the FY 1978 Program submission.

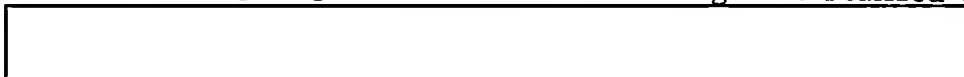
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f. Investigating the economies which might be realized by



g. Studying ways in which the cost of providing communications services might be charged to individual customers within the Agency as well as other departments and agencies. 1 March 1975

9. The other Deputies have been asked to undertake studies in their own areas of responsibility. Some of them will be of interest to you and some will require your cooperation and assistance:

a. The DDO has been asked:

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(1) to consider, with DDS&T, the merging of [] OEL, and relevant parts of OTS into a single organization supporting SIGINT collection;

(2) to define the minimum necessary overseas structure; identifying for each country the irreducible minimum level of resources required to sustain the essential operations at each station and base including communication and all other support costs; and

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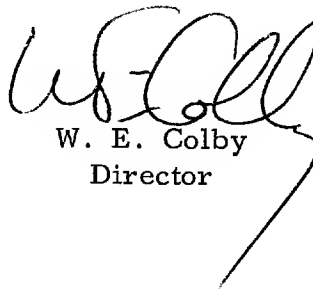
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(3) to establish a language training complement and suggest an appropriate size and how it should operate.

b. The DDS&T has been asked to conduct a study of technical support to agents, (including communications support) to determine whether and to what degree such support should be made the responsibility of one component. The types of support required, the costs of this support in manpower and in equipment, and current practices in decentralized funding should be examined. This study will involve, at a minimum, OTS, OD&E, OC, and OEL.

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c. The Comptroller will direct a study of the resources devoted to our accounting, certification, and budget functions throughout the Agency. He will examine the whole process of resource control in terms of structure, timing, information requirements, use of computer time, and relevance to management needs at various levels.


W. E. Colby
Director

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